

ASSEMBLY BILL

No. 1300

Introduced by Assembly Member Roger Hernández

February 22, 2013

An act to add Section 1748.97 to the Civil Code, relating to credit cards.

LEGISLATIVE COUNSEL'S DIGEST

AB 1300, as introduced, Roger Hernández. Credit cards: oral disclosures.

Existing state and federal laws regulate the provision of credit and the use of credit cards. Existing federal law requires a card issuer to disclose, in either electronic form or in a prominent location on the application or solicitation, certain information, including, but not limited to, the annual percentage rate, penalty rates, cash advance fees, late payment fees, and over-the-limit fees, to the extent applicable, on or with an application or solicitation that is initiated by the card issuer and provided to the consumer in person. Existing federal law imposes special rules applicable to credit cards offered to college students. Existing state law requires a card issuer of a secured credit card, as defined, in every advertisement or solicitation to prospective cardholders, to expressly identify the credit instrument offered as a secured credit card and disclose that credit extended under the secured credit card is secured. Existing state law also requires an application form or preapproved written solicitation for an open-end credit card account to be used for certain purposes that is mailed to a consumer in this state to contain specified disclosures, including, among other things, any periodic rate or rates that may be applied to the account, any membership or participation fee that may be imposed for availability of a credit card

account, and any per transaction fee that may be imposed on purchases, as specified.

This bill would require a credit card issuer on or the near the campus of an institution of higher education or at an event sponsored by or related to an institution of higher education to orally disclose to a first-time cardholder between 18 and 26 years of age certain information, including, but not limited to, the annual percentage rate, penalty rates, cash advance fee, late payment fee, and over-the-limit fee, in a specified manner. The bill would also require such a card issuer to, among other things, orally (1) provide a cardholder with an example of how long it would take a cardholder to pay off the average credit card debt if the cardholder only makes minimum payments and (2) explain how the credit card interest rates are compounded. The bill would require a cardholder to initial and sign a written document to be provided by the card issuer indicating receipt of the oral disclosures, example, and explanations, as specified.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1748.97 is added to the Civil Code, to
- 2 read:
- 3 1748.97. (a) (1) A credit card issuer on the campus of an
- 4 institution of higher education, near the campus of an institution
- 5 of higher education, or at an event sponsored by or related to an
- 6 institution of higher education, shall, at or prior to the time of the
- 7 issuance of a credit card, orally disclose to a first-time cardholder
- 8 of a credit card between 18 and 26 years of age the following:
- 9 (A) Annual percentage rate.
- 10 (B) Penalty rates.
- 11 (C) Cash advance fee.
- 12 (D) Late payment fee.
- 13 (E) Over-the-limit fee.
- 14 (F) Any event specified in the credit card agreement, such as,
- 15 but not limited to, a late payment or an extension of credit that
- 16 exceeds the credit limit, that would trigger an increase in the
- 17 cardholder's annual percentage rate.
- 18 (2) In addition to the disclosures specified in paragraph (1), the
- 19 card issuer shall also orally (A) provide a cardholder with an

1 example of how long it would take the cardholder to pay off the
2 average credit card debt if the cardholder only makes the minimum
3 payments, (B) explain how the credit card interest rates are
4 compounded, and (C) explain the adverse effect a late credit card
5 payment may have on a cardholder.

6 (b) After the card issuer provides the oral disclosures, example,
7 and explanations required by subdivision (a) and at or prior to the
8 time of the issuance of a credit card, the card issuer shall provide
9 a cardholder with a written document containing each oral
10 disclosure, example, and explanation and the cardholder shall
11 initial each disclosure, example, and explanation received by the
12 card issuer.

13 (c) At or prior to the time of the issuance of a credit card, a
14 cardholder shall sign the written document described in subdivision
15 (b) stating that he or she was provided with the oral disclosures,
16 example, and explanations required by subdivision (a).

17 (d) In providing the disclosures described in subdivision (a),
18 the credit card issuer shall explain the terms in easy-to-understand,
19 nontechnical terms subject to the description of those terms
20 contained in Section 226.5a of Title 12 of the Code of Federal
21 Regulations.

22 (e) The provisions of this section are severable. If any provision
23 of this section or its application is held invalid, that invalidity shall
24 not affect other provisions or applications that can be given effect
25 without the invalid provision or application.